



DEPARTMENT OF THE TREASURY
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND
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Overview of the Community Development Financial Institutions Fund

The Community Development Financial Institutions (CDFI) Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994, and was a bipartisan initiative. By stimulating the creation and expansion of diverse community development financial institutions (CDFIs) and by providing incentives to traditional banks and thrifts through the Bank Enterprise Award (BEA) Program, the Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI Fund provides relatively small infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage private-sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than \$300 million in awards to community development organizations and financial institutions.

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional financial institutions. These CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home-buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds.

CDFI Fund Initiatives

Community Development Financial Institutions Program

The Community Development Financial Institutions (CDFI) Program uses limited federal resources to invest in and build the capacity of private, for-profit and non-profit financial institutions to provide capital and services to underserved people and communities. The Fund invests in CDFIs using flexible tools such as equity investments, loans, grants, and deposits, depending upon market and institutional needs. These needs are demonstrated by the applicant CDFI in its business plan and in its ability to raise comparable non-federal matching funds, both requirements of the application process. The Fund evaluates each applicant CDFI in a manner similar to a private investor determining the investment-worthiness of an institution, including assessing financial performance, management capacity, and market analysis. Thus, the Fund is able to effectively assist these organizations to enhance their ability to meet community needs, develop, and grow.

The CDFI Program has three separate components: the Core Component, the Intermediary Component and the Technical Assistance Component. The Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial and technical assistance. The Intermediary Component is created specifically for intermediaries who focus primarily on the financing of other CDFIs. The Technical Assistance Component was designed to better meet the unmet capacity needs of CDFIs, or entities proposing to become CDFIs, who have significant potential for increasing their community development impact.

Through the first four rounds of the CDFI Program, the Fund has made \$215.6 million in investments in CDFIs. These organizations serve both rural and urban areas in local, regional, statewide, and multi-state markets in 47 states and the District of Columbia, Puerto Rico, and the Virgin Islands

A Notice of Funds Availability for the 2001 CDFI Program – the **Core and Intermediary Components** – will be published in the Federal Register on August 14, 2000. The application deadline for the Core Component will be December 21, 2000 and the deadline for the Intermediary Component will be December 19, 2000. A Notice of Funds Availability for the **Technical Assistance Component** will be published in the Federal Register on January 2, 2001. The application deadline will be April 19, 2001.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program recognizes the key role played by traditional financial institutions in community development lending and investing. It provides incentives for these regulated banks and thrifts to invest in CDFIs and to increase their lending and provision of financial services in distressed communities. The BEA Program supports the community reinvestment efforts of these financial institutions.

Through the first four rounds of the BEA Program, the Fund has awarded \$88.6 million to banks and thrifts. This \$88.6 million actually reflects investments in CDFIs and underserved communities of \$1.87 billion, over 20 times the amount of the Fund's investment. To date, banks and thrifts receiving awards have provided \$439 million in equity investments and financial support directly to CDFIs, and \$1.43 billion to distressed communities in the form of direct loans, investments and services.

A Notice of Funds Availability for the 2000 BEA Program will be published in the Federal Register on September 5, 2000. The application deadline will be November 21, 2000.

Presidential Awards for Excellence in Microenterprise Development

At the direction of President Clinton, the CDFI Fund designed and implemented in 1996 this non-monetary award program to bring wider attention to the important role and the successes of domestic microenterprise development in enhancing the economic opportunities of disadvantaged individuals across America. Through the first two rounds, a total of 13 organizations have been recognized for their work assisting individuals to become successful entrepreneurs. The Presidential Awards were created as one of the commitments made by the United States at the United Nations Fourth World Conference on Women, held in Beijing, China in September 1995.

Native American Lending Study and Action Plan

The CDFI Fund is conducting a study on lending and investment practices on Indian reservations and other lands held in trust by the United States. Input is being solicited through a series of regional workshops throughout the United States from tribal leaders, economic and financial planners, bankers, federal agencies, secondary market organizations and state agencies. The participants in these workshops are identifying barriers to lending and investment on Native American lands; describing the impacts of the barriers; and developing strategies and action plans for eliminating the barriers. The findings will assist the CDFI Fund in developing a report to the President and Congress that will include policy, statutory and regulatory recommendations designed to increase private investments on Native American lands.

For More Information

Please visit the CDFI Fund's website at www.treas.gov/cdfi, or call the CDFI Fund at (202) 622-8662.